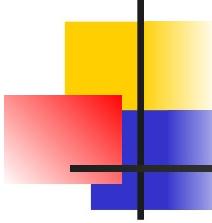


# CSA: An Overview

- What it is
- Why people do it
- Implementation thoughts



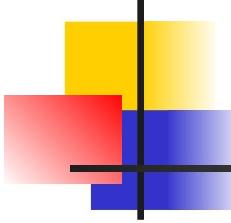
(301) 529-8118



# Experience Level

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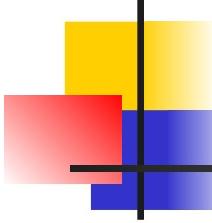
- CSA - Huh?
- Know what CSA is
- Doing CSA now, CCSA



# Self Assessment - Controls

- **Self** (Workers, workteam, department)
- **Assessment** (Judgment, evaluation)
- **Controls** (Risks, processes, situations...)

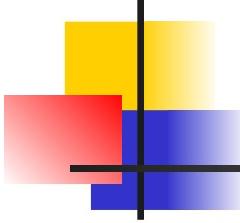
## A Generic Term



# Other Names

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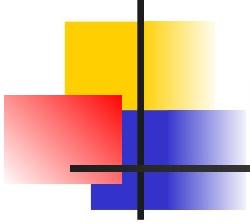
- Control and Risk Self-Assessment (CRSA)
- Dynamic Self-Assessment (DSA)
- Facilitated Self-Assessment (FSA)
- Management Assessment Process (MAP)
- Management Self-Assessment (MSA)
- Control Assessment and Monitoring Program (CAMP)
- Control Monitoring Program (CMP)
- Participatory Assessment of Risk and Control (PARC)
- Business Self Assessment (BSA)
- Dynamic Assessment of Risks and Enablers (DARE)
- Business Control and Risk Assessment (BCRA)
- Business Risk Assessment (BRA)



# Using Self-Assessment ...

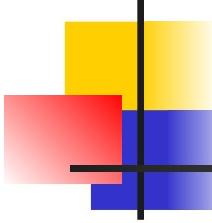
- An organization that uses self-assessment will have a formal, documented process that allows management and work teams, who are directly involved in a business unit, function, or process to participate in a structured manner for the purpose of:
  - Identifying risks and exposures;
  - Assessing the control processes that mitigate or manage those risks;
  - Developing action plans to reduce risks to acceptable levels; and
  - Determining the likelihood of achieving the business objectives.

From IIA Practice Advisory 2120.A1-2: Using Control Self-assessment for Assessing the Adequacy of Control Processes



# Definition of CSA

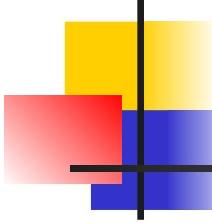
- *Control self-assessment (CSA) methodology can be used by managers and internal auditors for assessing the adequacy of the organization's risk management and control processes.*
- *Internal auditors can utilize CSA programs for gathering relevant information about risks and controls, for focusing the audit plan on high risk, unusual areas, and to forge greater collaboration with operating managers and work teams.*



# Self-Assessment ...

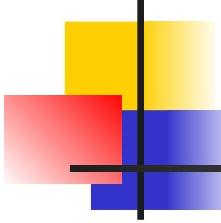
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- Is also the internal control structure assessment process required by Sarbanes-Oxley Act, Section 404.



# Control Self-Assessment

- Method for workteams to assess their own objectives, risks, controls (ORCA)
- Two to four hour meeting facilitated by internal auditors (neutral!)
- Assumes workers are in the best position to evaluate what is being done
- Report to next level of management
- May use anonymous voting and projection equipment



# ORCA!!!

## Objectives

What the organization is trying to accomplish:

- Vision
- Mission
- Values



## Risks

Things that threaten an objective:

- Internal
- External

## Control Alignment

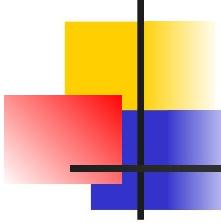
Help accomplish the objective:

## For specific risks:

- Prevent, Detect, Direct
- Transfer

## Soft controls

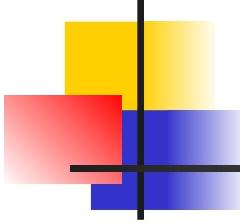
- Management style
- Integrity
- Commitment to competence



# What Makes CSA CSA?

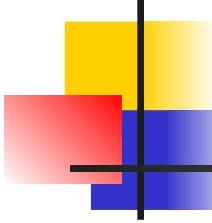
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- Clients do the assessment of ORCA
- The auditors are neutral facilitators
- Workers are treated like experts
- It may not be an audit
- Report may be done by work team
- Can address soft controls



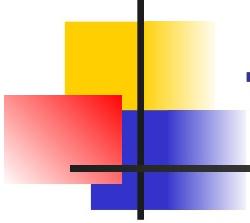
# The “CSA Shift”

|   | Traditional | CSA   |
|---|-------------|-------|
| ■ Who is responsible for internal controls?       | _____       | _____ |
| ■ Who evaluates internal controls?                | _____       | _____ |
| ■ Who reports the evaluation of internal control? | _____       | _____ |
| ■ Whose objectives are used in the process?       | _____       | _____ |



# Role of Traditional Auditing

- 70-30 split is typical (CSA is 30%)
- One CSA workshop does not usually equal one audit
- Many organizations have specialists (that are doing CSA 100% of time)
- Need to test CSA results



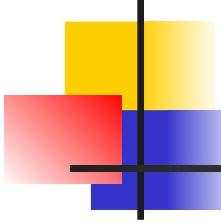
# Types of CSA

## Workshops

- Risk Focused
- Objective Focused
- Control Focused
- Process Focused
- Situational or Department Focused
- Soft Controls
- Special Purposes - Planning, Training

## Surveys

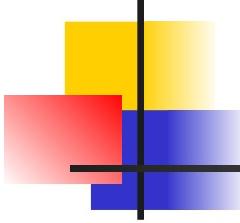
- Questionnaires filled out by process owners
- Sent and compiled by internal auditors or by other groups
- Called “survey-based self-assessment”
- Sometimes combined with workshops



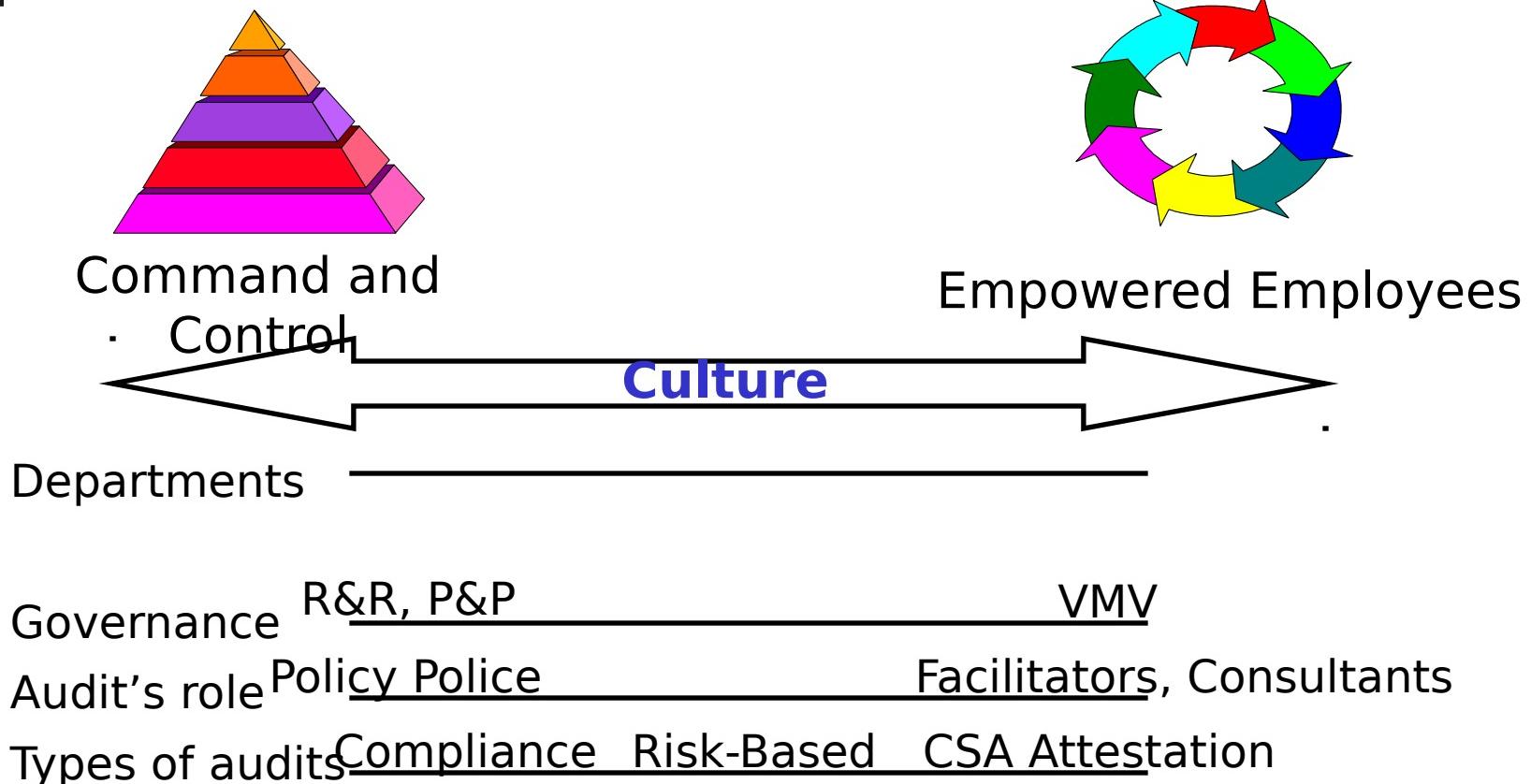
# Why CSA?

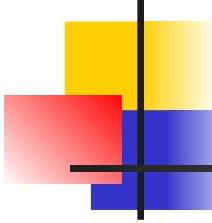
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- Cultural need – empowered employees
- Data need – soft control information
- Coverage need – cover more area with fewer auditors
- Involvement need – remind that controls and risks are managements' job
  
- Self-assessment is part of Sarbanes-Oxley 404 requirement



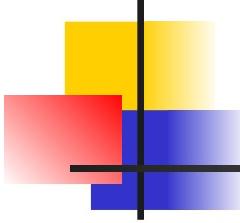
# Influence of Empowerment





# Examples of Soft Controls

- Commitment to competence
- Integrity
- Ethical values
- Management philosophy
- Management operating style
- Commitment to risk management activities
- Knowing what to do
- Wanting to do it
- Having the tools to do it



# Why Does Audit Exist?

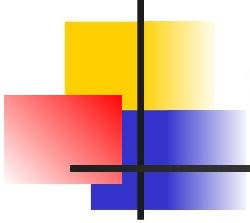
- To issue audit reports
- To report on management
- To recommend improvements
- To add value
- To improve the internal controls of the organization.
- To provide unique information about risks and controls.



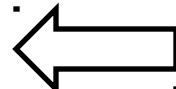
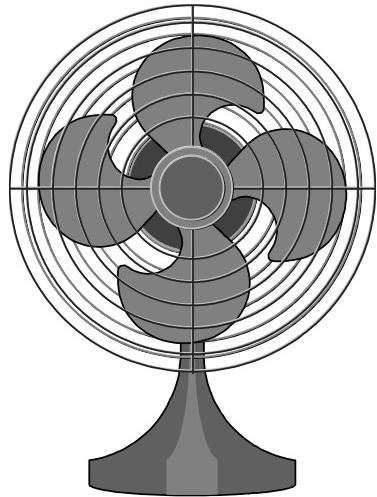
Do you seriously expect to audit



With the number of auditors you have?



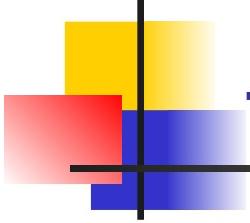
# When This Happens ...



What's the right question?

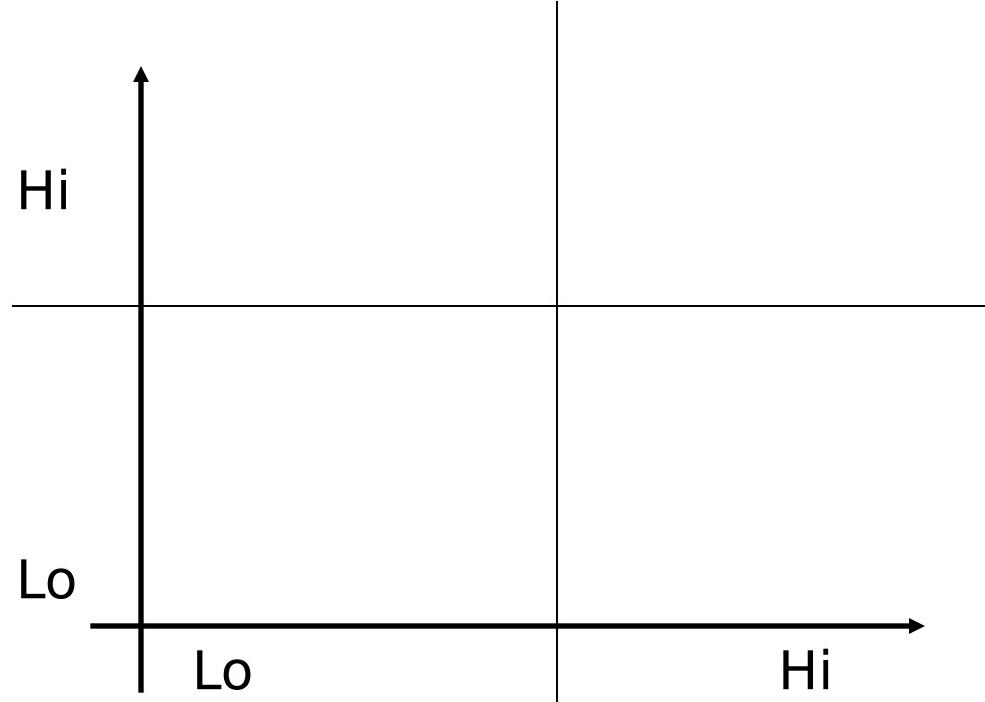
Where was audit?

Where was management?

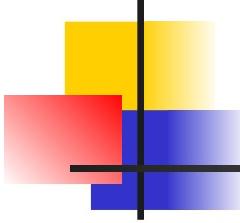


# To Talk or Not to Talk

Fear of  
Reprisal



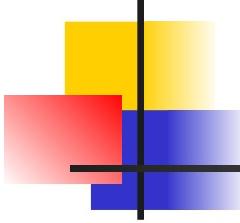
Interest in Topic



# Voting Technology

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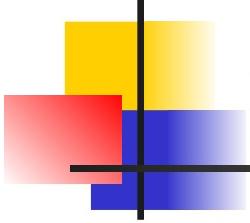
- Raising your hand
  - Dots, sticky pads
  - Electronic
- 
- For anonymity
  - For efficient data collection



# What to Vote On

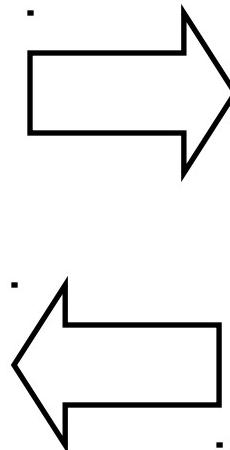
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- Probability, Impact of Risks
- Specific soft control questions
- Adequacy of controls, without identifying them



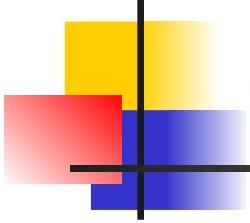
# Use of a Framework

Facts

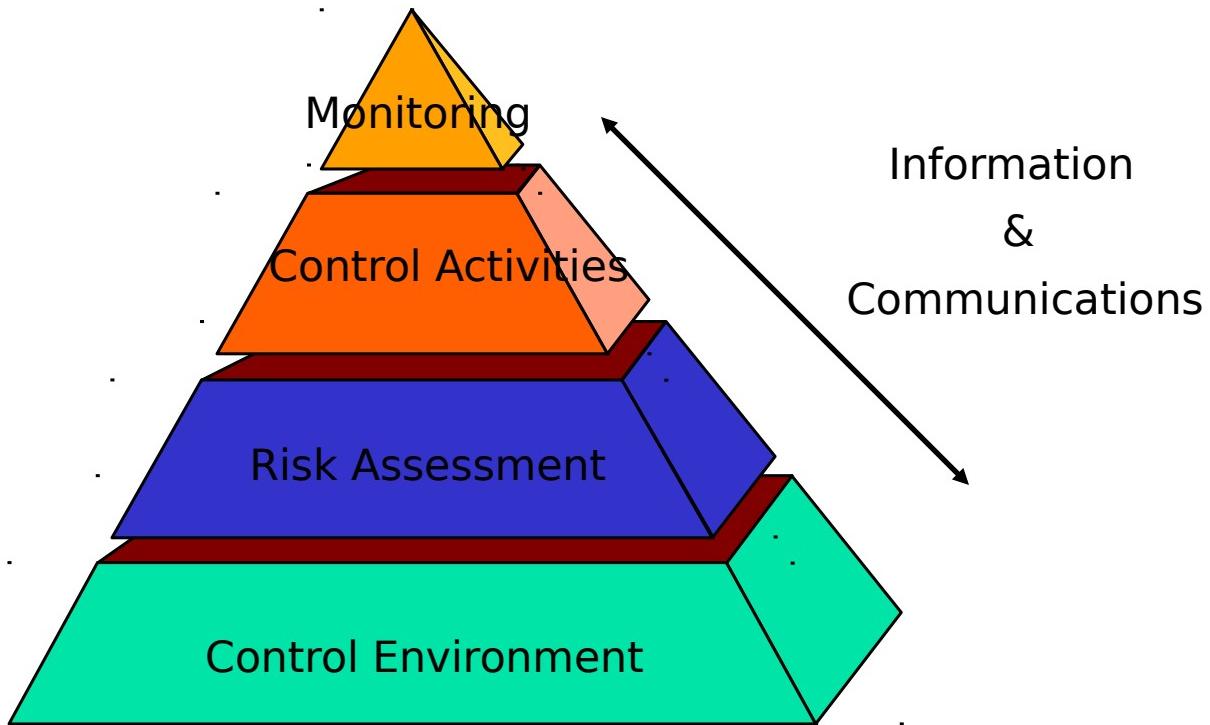


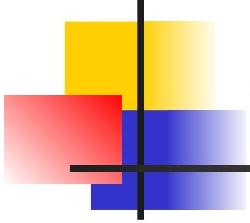
Framework



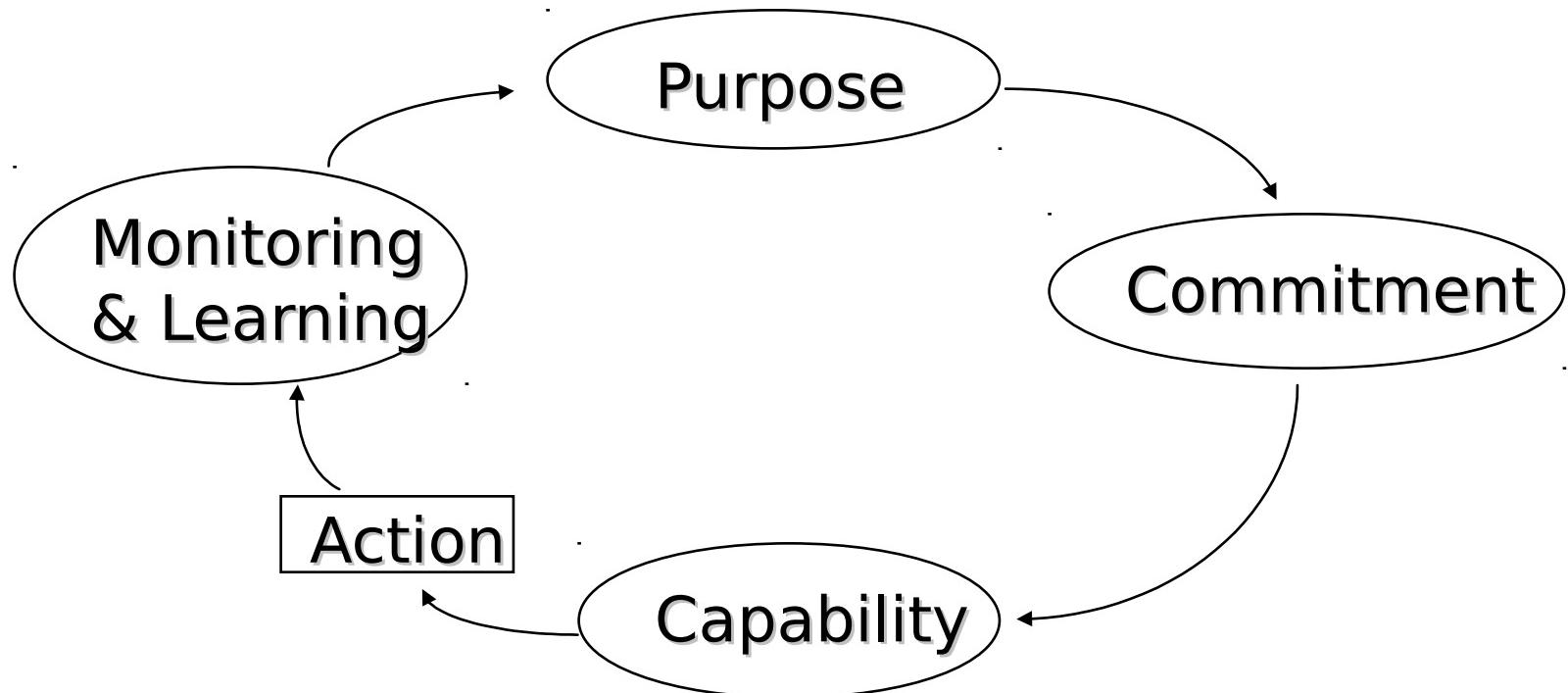


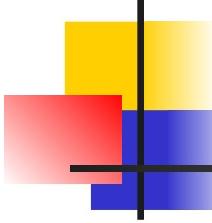
# COSO Model of Control





# CoCo Model of Control

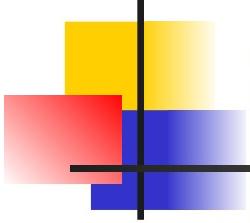




# Changing Conditions

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- External environment
  - New regulations
  - Foreign operations
  - Changing technology
  - Customer preferences
- Internal environment
  - New personnel, I/S, products
  - Restructuring, mergers
  - Rapid growth
  - Budget restraints

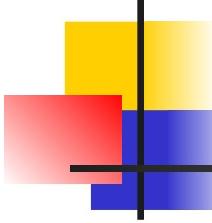


# CSA Reporting -

## Possibilities

Depends on CSA format

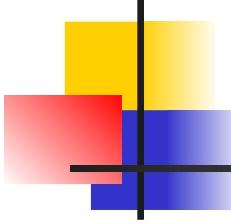
- Report prepared in workshop
- Issued by workteam?
- To next level of management?
- An audit report?
- Include voting results?



# Quality Assurance

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- While planning the workshop
- During the workshop
- Review of workshop results by participants and management
- Similar workshop results
- Testing after the workshop



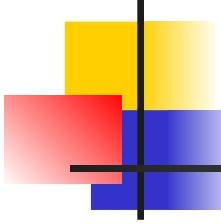
# Should We Do CSA?

## Yes

- Helps empowerment
- Greater audit coverage
- Opens up communications
- Trains others in controls and risks
- Evaluate soft controls
- Need the data

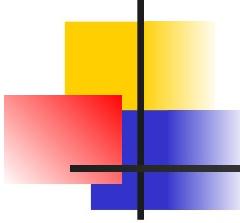
## No

- Shifts work from audit to workteam
- Requires new auditor skill set
- Can get same control information another way
- Everyone else is doing it
- So clients like us better
- Someone told you to



# Implementation Thoughts

- Know why you need it
- It's bigger than internal audit
- Consider using a control or risk framework
- The type of organization matters
- Traditional assurance services continue
- Grass roots, not big-bang
- It's a tool to use for the right reasons
- Do it to yourself, first



# LDH Thoughts

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- There is no such thing as a good audit finding
- A good audit report is no audit report
- Everything internal auditors do should help reduce the need for after-the-fact auditing
- Auditors should be great facilitators